



## USDA Rural Development-Texas Rural Home Loan Partnerships

In 1996, four national organizations created the Rural Home Loan Partnership (RHLP). The USDA Rural Development, the Federal Home Loan Bank System, the Federal Housing Finance Board and Rural LISC-- a division of the Local Initiatives Support Corporation, agreed to work together and through local Community Development Corporations (CDCs) to create a more favorable climate in rural areas for lending to lower income homebuyers.

The starting point for RHLP activity is a set aside of Section 502 single family direct loan funds by USDA Rural Development to fund loans packaged by the RHLP local partners. These Section 502 funds can be coupled with a private lender's first position long term fixed rate mortgage to lower the borrower's mortgage payments to a more affordable level. With the assurance that Section 502 funds are available, the CDCs are better able to interest banks and other lending institutions in making mortgage loans to lower income borrowers.

The goal of the RHLP is easy to define—increase homeownership opportunities for rural Americans with incomes at or below 80% of area median. The “how to” has proven to be almost as varied as the number of RHLP assisted home owners. What is consistent about all the loans and defines the RHLP program are three guiding principles:

- The use of Section 502 set-aside funds in each RHLP loan;
- A requirement that there must be a CDC or other non profit local partner, who will provide homeownership counseling; and
- Local participating lenders must meet USDA Rural Development underwriting standards and must provide long term fixed rate mortgages and the potential borrowers must meet USDA Rural Development eligibility requirements.

This [Rural Housing Loan Partnership](#) program allows Texas USDA Rural Development to access additional

funds (75%) from the National Office reserves. USDA Rural Development uses 25% of the loan funds from the state's annual allocation and the national office provides the other 75% of the loan funds.

The criteria for accessing these funds are:

A non-profit submits a proposal to Rural Development that shows they have financial commitments from Leveraged Lenders, Federal Home Loan Bank, Community Development Corporations, Texas Department of Housing and Community Affairs grant money from sources similar to the Community Development Block Grants, Fannie Mae, etc., for the development of low/very low income families.

The proposal must include:

1. Names of all partners (Private, state or local government lender and CDC)
2. Tax ID number of all partners
3. Address, telephone and fax number [of all partners](#)
4. Contact person and title [of all partners](#)
5. Proposed number of houses
6. Average cost per dwelling
7. Estimated amount of Section 502 funds required (broken down by Low and Very-Low funds)
8. Amount of additional funding provided by the partner per dwelling

A list of USDA Rural Development Offices in Texas is located on the Texas USDA Rural Development Web site [www.rurdev.usda.gov/tx/](http://www.rurdev.usda.gov/tx/)

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To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14<sup>th</sup> and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).